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| OREGON ACCOUNTING MANUAL | | |
| Subject: | Accounting and Financial Reporting | Number: 35.40.40 |
| Division: | Chief Financial Office | Effective date: July 1, 2013 |
| Chapter: | Accounts Receivable Management | |
| Part: | Account Assignments | |
| Section: | Assignments-Private Collection Firms | |
| Approved: | George Naughton, Chief Financial Officer | Signature on file |

PURPOSE: This policy provides guidelines on the use of private collection firms for the collection of liquidated and delinquent accounts.

AUTHORITY: [ORS 291.015](#) [ORS 293.231](#)
[ORS 293.240](#) [ORS 293.245](#)
[ORS 293.250](#) [ORS 293.265](#)
[ORS 293.275](#) [ORS 293.462](#)
[ORS 293.590](#) [ORS 295.002](#)
[ORS 697.058](#)

APPLICABILITY: This policy applies to all state agencies included in the State’s annual financial statements, except for those agencies specifically exempted by [OAM 01.05.00](#).

DEFINITIONS: **Private collection firms** (PCF) are organizations that furnish a service to their clients by providing trained full-time staff to collect delinquent accounts.

POLICY:

- 101. Agency management must ensure that agency personnel employ appropriate practices in the management of accounts receivable.

PROCEDURE:

Use of Private Collection Firms

- 102. Where a state agency has exhausted their own collection activity, or the statutory time permitted for an agency’s self-collection on an account has expired (see [ORS 293.231](#) and/or [OAM 35.40.10](#)), the agency must assign the account to a PCF or the Department of Revenue Other Agency Accounts (OAA) Unit. If the OAA Unit does not collect a payment and returns the account to the agency, the agency must immediately assign the account to a PCF.
- 103. The Department of Administrative Services (DAS) maintains a statewide contract for collection services. Agencies may use any contractor currently under contract by submitting a purchase order that references the statewide contract and contains specific information required by the contract.

104. Each agency must issue a purchase order when entering into a collection agreement with a PCF. Consult with agency procurement staff for current purchase order format. Agencies should use the purchase order to highlight critical aspects of the agreement between an agency and a PCF. While agencies' purchase order formats may differ somewhat, it is important that certain elements be conveyed in the agreement. Refer to the debt collection contract for mandatory purchase order language.
105. Accounts must be both liquidated and delinquent (see [OAM 35.30.30](#) for definitions) before an agency may assign them to a PCF. Some accounts may qualify as exempt from assignment to a PCF in accordance with criteria outlined in paragraph 105 of [OAM 35.40.10](#).
106. An agency may use multiple PCFs at the same time; however, an agency may not assign a liquidated and delinquent account to more than one PCF at the same time.
107. Agencies may submit a liquidated and delinquent account to a PCF and to the Refund Offset Only program of the OAA Unit for collection at the same time (per [OAM 35.40.30](#)). However, an agency may not assign an account to both the Full Collection Services program of the OAA Unit and a PCF.
108. A public official entering into an agreement for collection services is obligated to consider due diligence in the preservation of public funds. [ORS 295.002](#) indicates the measures that, when followed, protect a public official from personal liability in the event of the loss of public funds.
109. Agencies should educate the PCFs they work with as to the type of accounts their agency generates. In addition, it is important to share with PCFs the statutory citations, legal filings that have transpired, findings of hearings, etc., that substantiate a clear lawful claim. The better a PCF understands the type of debt they are collecting, the better able to collect it they will be.

Processing Collections

110. PCFs must hold amounts they collect in a special trust account for the benefit of the State of Oregon in accordance with [ORS 697.058](#) until the PCF remits payment to the assigning agency. This requirement protects a public official in the event of the loss of public funds.
111. The statewide collection contract, as well as the terms and conditions the agency specifies in the purchase order prescribe reporting and payment remittance by the PCF.
112. The statewide collection contract requires that the contractor pay DAS an administrative fee. This administrative fee should not reduce or be reflected in the collections from the PCF to the agencies in any manner.
113. After depositing collection receipts, processing account payments, and reconciling the amounts collected and remitted by a PCF, the agency may need to forward payments to the appropriate party, as applicable (i.e., third party reimbursements, courts, etc.). The agency's procedures need to provide for payment of the PCF's collection fees within 45 days (refer to [ORS 293.462](#) and the collection contract for more information).
114. Within a reasonable time (defined in the agency purchase order), where a PCF has been unable to collect an account, the PCF should return that account, and all associated collection documentation, to the assigning agency. The agency should perform periodic follow-up on returned accounts to confirm that the PCF performed adequate collection efforts. An agency needs to be diligent in this regard with accounts of a significant dollar amount.

Collection Fees

115. Refer to [OAM 35.40.20](#) for information regarding collection fees.
116. The PCFs may remit amounts collected in gross or net of the collection fee, as specified in the agency purchase order. See [OAM 15.35.00](#) for accounting treatment of collection fees.

Writing-off Accounts

117. Agencies may write-off accounts returned (uncollected) by a PCF if, after reviewing the account, the agency believes that all reasonable efforts have been made to collect the past due amount. Agencies must write-off accounts following the guidelines of the Attorney General, as outlined in [OAM 35.50.10](#).
118. If an agency learns that an account that the agency previously wrote-off becomes collectible, the agency is responsible to pursue collection of the account per [ORS 293.245](#).

Agency Responsibilities

119. Agencies must review PCF inventory and collections reports for accuracy and resolve any discrepancies promptly. At a minimum, agencies must verify the account inventory held by a PCF each calendar quarter.
120. When using a PCF, an agency needs to review contractor reports as well as the collection history of the accounts that the agency has assigned. The contractor must follow the terms of both the contract and the purchase order at all times.
121. Agencies must report any PCF contract violations or other concerns.
122. Agency management must review the performance of the PCF at least annually to evaluate its overall effectiveness. If the PCF is not performing up to agency management's expectations, the agency should consider obtaining a new PCF.
123. Agencies must maintain information on the accounts assigned to the PCF for reporting to the Legislative Fiscal Office (LFO) for the annual *Liquidated and Delinquent Account Report* (see [ORS 293.229](#) and [OAM 35.60.10](#)).